

**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.ci.las-vegas.nv.us>**

**December 18, 2001
10:00 a.m.**

I. CALL TO ORDER: Chairman Kern called the meeting to order at 10:11 a.m. and confirmed with City Clerk Ronemus that the Open Meeting Law had been met.

II. ATTENDANCE:

Present: Chairman Michael Kern
Mayor Oscar Goodman
Member Bill Martin
Member Joseph Saitta
Steve Houchens, Deputy City Manager
Val Steed, Chief Deputy City Attorney
Radford Snelding, City Auditor
Philip Cheng, Senior Internal Auditor
Bryan Smith, Internal Auditor
Bill Cimo, Internal Auditor
Gary L. Philips, Internal Auditor
Barbara Jackson, Director of Leisure Services
Nancy Deaner, Manager of Cultural & Community Affairs Division,
Leisure Services Department
Dan Hyde, Manager of Vehicle Services Division, Field Operations
Mark Vincent, Director of Finance and Business Services
Joe Marcella, Director of Information Technologies
Bob Wood, Policies & Procedures Manager, Information Technologies
Department
James Carmany, Court Administrator for Municipal Court
Barbara Jo (Roni) Ronemus, City Clerk
Assistant Deputy City Clerk Vicky Darling

Excused: Councilman Michael McDonald

BUSINESS

1. Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of October 16, 2001

GOODMAN - Motion to approve – SAITTA seconded the motion - UNANIMOUS with McDONALD excused

(10:11)
1-14

2. Discussion and possible action on Audit Plan FY 2001-2002

Chairman Kern advised that this item was on our agenda at the last meeting but was not noticed for action. There was no discussion.

MARTIN - Motion to approve – GOODMAN seconded the motion - UNANIMOUS with McDONALD excused

(10:12)
1-32

3. Discussion and possible action on report on Fraud Report

Mr. Snelding explained that he had committed at the last Audit Committee meeting to draft a comprehensive fraud policy and protocol utilizing best practices with a Committee composed of the City Manager, City Attorney, City Auditor, Human Resources, and Detention and Enforcement. Subsequently, the draft would be presented to the Audit Committee for review and then to the City Council, as appropriate. Those meetings have not yet been held but will be scheduled. After the conclusion of the meetings, this item will be ready for review at the next Audit Committee Meeting.

There was no further discussion.

MARTIN - Motion to abey to March 19, 2002 – GOODMAN seconded the motion - UNANIMOUS with McDONALD excused

(10:12)
1-53

4. Discussion and possible action on allocation of funding for the City Auditor's office from other departments

Chairman Kern announced that the meeting associated with this item did not take place and the item should carry forward to the next agenda.

GOODMAN - Motion to abey to March 19, 2002 – MARTIN seconded the motion - UNANIMOUS with McDONALD excused

(10:15)
1-109

5. Discussion and possible action on distribution of Policies and Procedures in Fleet and Transportation Services

Dan Hyde, Manager of Vehicle Services Division of Field Operations, provided an oral presentation on the report and indicated that copies of the report itself would be provided to each member of the Committee after the meeting. Detailed, comprehensive policies and procedures were created over a four to five month

process. There was a great deal of internal input on the 27-page report which documents 27 categories covering the operational aspects of the Division. The policies and procedures were distributed to all staff by November 30, 2001.

Chairman Kern indicated that it was difficult to ask questions about a report not yet seen, but questions could be brought back at a future meeting if necessary. He confirmed with Mr. Hyde that appropriate checks and balances have been incorporated into the policies and complimented staff on its efforts. It would seem that it would be appropriate to forward the final policies and procedures to the City's insurance carrier in an effort to obtain a cost-savings. Deputy City Manager Houchens agreed that forwarding the report to the City's carrier might help.

There was no further discussion.

GOODMAN - Motion to abey to March 19, 2002 – SAITTA seconded the motion - UNANIMOUS with McDONALD excused

(10:15 – 10:19)

1- 121

6. Discussion and possible action on Quarterly Audit Committee Meeting dates for 2002 – (3rd Tuesday: March 19, 2002, June 18, 2002, September 17, 2002, and December 17, 2002)

Chairman Kern stated that quarterly meetings are a requirement for the Audit Oversight Committee and dates set forth have been proposed to be reserved for such meetings.

GOODMAN - Motion to approve the dates proposed – SAITTA seconded the motion - UNANIMOUS with McDONALD excused

(10:19)

1-235

7. General Report by the City Auditor

Mr. Snelding outlined the pending projects: Audit of City Council in fieldwork stage under Bryan Smith; Information Technology security audit fieldwork is being concluded and entering the reporting process under Bill Cimo and the Capital Projects audit is still on hold pending a review by the consultant's study.

GOODMAN - Motion to accept the Report – SAITTA seconded the motion – UNANIMOUS with McDONALD excused

(10:20)

1-260

8. Discussion and possible action on CAO 1601-0102-07 – Audit of Cultural and Community Affairs Division

Mr. Cheng stated that was an audit from the annual audit plan with objectives to determine the adequacy of management and financial controls of the Division. Ten areas were identified that management should review to further improve efficiency, effectiveness, and internal controls over operations. Mr. Cheng summarized the audit findings and management response from the audit report on Items 1, 2, 4, 6, 7 and 9. Each of the areas of weakness reflect back on cost recovery, which is a key indicator as to how a department is doing.

Mr. Martin pointed out that without an identification or number for each ticket, control would be impossible. Chairman Kern concurred and discussed with Mr. Cheng that an average of 17 tickets were unaccounted for in an audit of three events and in one event 12 tickets had the ticket price altered. Statistically, that number could be much greater without any identification with which to track tickets and this also makes accurate reconciliation impossible. The Class system has been implemented to control, register and track tickets. Chairman Kern congratulated the Division for an outstanding job in programming and events, but this will allow them to improve their cost recovery.

Mr. Martin stressed that although the City's job is to add to cultural growth of the City, but a 9% cost return seems very low. Key to that may be creation of criteria for what constitutes a successful event. Once the target or measure for success is set, then programs which fail to meet that standard may need to be dropped. This is an opportunity to measure the job and determine success. Chairman Kern pointed out that the report indicates the Division is performing its duties well, but the serious weaknesses found dispute that. This situation calls for a team of good planning leaders and good financial leaders. Another concern is that this is a reoccurring problem which means that there is a problem with the people assigned the tasks. Deputy City Manager Houchens agreed with the comments and the City's failure to be entrepreneurial in evaluating the product in all ways, including financially. Programs need to be evaluated as to what community needs it serves. In order to do this, the City must have the tools to do so. The recently implemented Class system is an integrated system that provides the management system for ticket purchase, control of purchase, daily balancing and an evaluation tool. There are high expectations that greater entrepreneurial spirit and the system will help a great deal.

Chairman Kern complimented the art in the gallery, but again any revenue created must be regulated. The City Auditor's office does assist management and the department make policy determinations. Mayor Goodman concurred, but it must be kept in mind that the City provides services rather than attempts to make a profit. It is important to remember that successful events draw other organizations who want to have a successful event themselves. The City has the facilities and people. Mayor Goodman and Chairman Kern discussed the register at events and the failure of people to sign the register. ‘

Mr. Martin asked whether elected officials back events for small groups and pointed out that a policy could provide a buffer against that type of pressure. Mr. Saitta confirmed with Dr. Jackson that unsuccessful programs are eliminated from the annual calendar. Dr. Jackson stressed that many concerns raised by the initial audit were taken care of immediately and those that remain are being addressed. She expressed high hopes with the Class system and confidence in the ability of the new division manager and her assistant. Special events are sponsored or co-sponsored by the City at the request of Council members. Ms. Deaner clarified that some requests are generic and programming is done in communication with the Council through their liaisons. Dr. Jackson offered to provide a breakdown of programming. Mayor Goodman pointed out that he sponsored the soccer program the past weekend and a walk for cancer, both of which have been money makers. Dr. Jackson noted that these were department programs rather than cultural programs.

Mr. Saitta asked whether a return of investment could be determined. Mayor Goodman responded that the philosophical question to be answered first is what is the City's participation in cultural affairs. Is a profit even a question? That has to be determined by the City Manager's office and the elected officials. He prefers profit, but understands that it is worth losing some money to provide worthwhile cultural events. Mayor Goodman recommended that Deputy City Manager Houchens seek Council direction during individual briefings, direction could then be given to this Committee and the City Manager's office could ensure that the City reaches the goals established. Deputy City Manager Houchens concurred that a series of decision packages will be presented to the Council during the budget process.

In response to the issue of cultural facility hours, Mayor Goodman strongly recommended hours more accessible to the public. This would be a critical area for the use of volunteers, especially the seniors available throughout the community. Dr. Jackson agreed that the Department has been a creature of habit, but is re-evaluating operational hours. Ms. Deaner stated that the number of visitors provided the City Auditor was based on a formula. Mayor Goodman replied that there has to be greater accountability. Dr. Jackson noted that staff is looking into beams across the door or pressure pads for greater tracking.

Mr. Cheng pointed out that with Cultural programs every effort must be taken to defray costs. Other entities have website applications for participations. Mayor Goodman suggested a committee to appoint volunteers.

Chairman Kern made one comment that not all art is appropriate for all ages and suggested that brochures include sufficient information that parents could make informed decisions. Mayor Goodman expressed a concern with telling artists what is art. Chairman Kern answered that it would not impact the art, but advise the public as to what is displayed.

Mr. Martin complimented Dr. Jackson for seeking the audit, even though she may have gotten more than she anticipated. Chairman Kern concurred and added that Dr. Jackson and the Department are very well thought of in the community. Dr. Jackson

stated that the Cultural Division and entire Department is more in sync with the City's goals and will continue to address the remaining issues. Much of what she accomplishes is due to a great staff.

GOODMAN - Motion to accept the Report – MARTIN seconded the motion – UNANIMOUS with McDONALD excused

(10:21 – 10:59)

1-289

9. Discussion and possible action on CAO 2600-0102-08 – 1999-2000 Annual Audit Recommendation Follow-up

Mayor Goodman congratulated the City Auditor staff on this follow-up process. In his time at the City, one of the areas of concern for the City Council is that conditions are imposed or recommendations made and never followed up on. This tracking is exceptional and allows for problems to be addressed.

Mr. Snelding explained that the follow-up covers January 1, 1999 through June 30, 2000. This is the first time this process has been utilized in the City of Las Vegas and provides a snap shot of progress. Overall, significant progress has been made. The 11 reports, with 398 recommendations, reflected 63% completion, 28% partially completion, 2% no longer applicable and only 7% with no progress. This same process was used in Shreveport, Louisiana, where they got the no progress items to 2% after 9 years. To start off with 7% demonstrates good overall management. Ten issues remain critical and would be presented by the Auditors handling the initial audits.

Mr. Cimo outlined recommendations made regarding the City's vending, research on an "Official Soft Drink of Las Vegas", Finance's offsite storage of necessary payroll software and supplies, Information Technologies' cost-benefit analysis, competitive pricing on telecommunication services, controls during software system changes, security tools for root access and security to ensure integrity of the operating system, and Leisure Services' fees and better utilization of the Parks and Recreation Advisory Committee.

Deputy City Manager Houchens explained that the Nevada Association for the Blind has significant interest in government vending contracts which has held up the process. Legal staff has also been working with the Attorney General's office on clarification of issues. Originally, this was a Leisure Services finding. This has been moved to Administrative Services within the City Manager's Office to give it an overall citywide scope and also, give it more attention.

Chairman Kern pointed out that the information provided by Finance regarding offsite storage of payroll materials was not submitted in writing. Mr. Vincent explained that nothing is maintained offsite because nothing unique is used. If necessary, everything is either available or could be quickly purchased. A list or breakdown of

what is available or would have to be purchased will be provided in a more formal manner to the City Auditor's staff.

Chairman Kern discussed with Mr. Marcella that software utilized in the City is under standardized configuration control and subject to Committee review. The cost-benefit process is easy for routine items. Cookies are controlled by a program which either accepts and stores them separately or accepts and then removes them. A full analysis has been done by his Department, but it has been difficult to show true value. However two new applications, Class and Hansen, include productivity stats upon which to base such cost-benefit calculations. That information will be provided to the City Auditor's staff in a formalized manner.

With regard to telecommunication rates and tracking, Mr. Vincent advised that charge back for personal calls is based on the gross rate without discount but also does not include a charge for administrative costs related to collection. The City policy prohibiting any personal calls except in extreme emergency has apparently reduced personal long distance charges or personal calls.

Mr. Cimo stressed that the issue is the City paying the best rate available for telecommunication services. Chairman Kern recommended that those making personal calls be restricted to using a calling card. Allowing any personal calls and relying on those making the calls to honestly identify them as personal creates a potential for employees taking advantage. He would concur with the Audit staff that a written policy should be established and include someone designated to regularly review the City's telecommunication services.

Mr. Marcella indicated that the concern with changes in systems was more an issue with the old Legacy and mainframe system. The newer equipment can run both systems and he stated that he was comfortable that his Department was in compliance with the recommendation.

With regard to the root access, Mr. Marcella answered that such access is limited to approximately nine people. Mr. Wood added that there is additional security in place. Those individuals could potentially destroy the system, but not make changes. Further, of the nine individuals, only the database officers have access. Chairman Kern reiterated that a written response should be provided to the Auditor staff and Mr. Marcella agreed to do so.

Mr. Marcella described the detective measure currently being used to ensure the integrity of the operating system. The preventative tool available would cost approximately \$250,000. Chairman Kern pointed out that while the business decision may be made by the appropriate people at this time not to purchase the technology, it may become a necessary item in the future and should only be deferred, not stricken from consideration. Additionally, technology may change making the alternative more affordable. Mayor Goodman concurred that the item should be revisited but that the monitoring was not in the nature of a penalty. Mr. Snelding confirmed that the Committee's recommendation was to revisit the recommendation from time to time.

He explained that recommendations are only dropped if the item is completed or at the direction of the Committee. Mr. Cimo pointed out that the Audit staff was never advised that the system would cost \$250,000. Chairman Kern stated that he would encourage the Department to submit their comments in writing.

Dr. Jackson and Mr. Cimo agreed that many of the areas of concern, especially regarding fees, cost recovery and volunteerism, were addressed in the previous report. The last time a fee restructure was brought before Council, it was not passed. Staff is looking at the rental of facilities to religious organizations and is working to standardize rental policies and procedures. They are working with Human Resources regarding the hourly rate paid to instructors, which would help with fees. The use of the Park and Recreation Advisory Board regarding fees is a philosophical question on which staff has never received any policy direction. Chairman Kern replied that the Audit staff merely raises issues on which a final determination must be made by a department and/or City management. Mr. Cimo indicated that the City Code actually calls for the Board to make recommendations regarding fees. Overall they were just looking at tracking fees. Mostly recommendations for fee increases were immediately implemented. Perhaps there could be standardization on how fees are set or increased.

Mr. Smith summarized the findings regarding Municipal Court's transaction receipts. The Court is currently working with Information Technologies on a project estimated to take 18 to 24 months. The payment information should be captured within the system for tracking purposes. The recommendation regarding cash in drawers has been addressed but Audit staff would still recommend an electronic system which includes a ceiling requiring a cash drop once the cash has reached a certain level. The recommendation regarding centralized systems will be addressed when the Court relocates to the new facility.

Mr. Philips advised the recommendations made under the Human Resources portion of the Follow-up Report were being requested to be dropped based on potential liability risks to the City under the new Federal reporting structure.

GOODMAN - Moved to drop the recommendations – MARTIN seconded the motion – UNANIMOUS with McDONALD excused

Mr. Snelding emphasized the good results of the City overall in response to the Follow-up report. He stressed that issues raised at this time will not be dropped and will be incorporated in the next Follow-up report. Chairman Kern complimented the City Auditor and his staff for a job well done as well as the City and its response and implementation. The benefit of much of what Mr. Snelding's staff does is the unqualified report obtained from the external auditors, which results in a better bond rating.

(10:59 – 11:45)
1-1612

CITIZENS PARTICIPATION:

None.

(11:45)
2-105

ADJOURNMENT:

**GOODMAN - Moved to adjourn – MARTIN seconded the motion – UNANIMOUS
with McDONALD excused**

The meeting adjourned at 11:45 p.m. (2-110)

RESPECTFULLY SUBMITTED,

Vicky Darling, Assistant Deputy City Clerk